



OFFICE OF THE ACTUARY

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Date: May 22, 2019

Subject: Proposal to Extend Coverage of Immunosuppressive Drugs

By statute, the majority of patients with end-stage renal disease (ESRD) are eligible for Medicare, regardless of age. Kidney transplantation is considered the best treatment for ESRD. When a patient receives a kidney transplant, Medicare coverage extends for 36 months post-transplant, unless the patient is otherwise eligible for Medicare, in which case his or her coverage continues past this point. Without immunosuppressive drugs, the body rejects the transplant (graft failure), causing the patient to again develop ESRD and require dialysis—an outcome that may result in a subsequent transplant.

In order to avoid the costs to Medicare associated with patients redeveloping ESRD, this proposal would extend Medicare Part B and Part D coverage of immunosuppressive drugs for ESRD beneficiaries indefinitely. The coverage expansion would grandfather in all individuals previously eligible for Medicare based on ESRD status.

The following relevant assumptions were incorporated in the estimates:

1. Based on data from the United States Renal Data System (USRDS), in 2016 there were approximately 56,000 people who had a functioning graft but did not have Medicare coverage. This figure was projected forward based on overall ESRD enrollment.
2. The graft failure rate is assumed to be 6 percent, per a report based on USRDS data and provided by the Department of Health and Human Services (HHS)/Office of the Assistant Secretary for Planning and Evaluation (ASPE).
3. Of the graft failures, 10.7 percent are assumed to be due to non-adherence of drugs, per a report provided by HHS/ASPE and based on USRDS data.
4. Beneficiaries whose kidney transplant failed are assumed to receive dialysis for an additional 5-10 years.
5. The cost of immunosuppressive drugs is based on the average Part B and Part D per capita immunosuppressive drug spending amounts for beneficiaries who have had a successful kidney transplant.
6. The savings assumptions are based on the average Part A and Part B per capita spending amounts for beneficiaries who are on dialysis.
7. The estimates reflect the impact on fee-for-service benefits, as well as the associated impact on payments to Medicare Advantage plans.

8. Roughly 25 percent and 15 percent of the Part B and Part D impacts, respectively, are offset by corresponding changes in the Part B and Part D premiums, and these effects offset the gross benefit impacts.
9. These estimates do not reflect the administrative costs associated with implementation of this proposal, including identifying and re-enrolling the beneficiaries who have previously lost coverage. In addition, this proposal would likely require system changes since these beneficiaries would receive coverage for immunosuppressive drugs only.

The table below contains the 10-year estimates of the impact of this proposal on the Medicare program. These estimates are based on the President's Fiscal Year 2020 Budget baseline, which was released in March 2019. They reflect the additional cost to the Part B and Part D programs for the cost of the immunosuppressive drugs, offset by savings to Part A and Part B for avoided medical costs for beneficiaries who no longer regain Medicare eligibility due to their graft failure. While the net impact is a savings over the 10-year period 2020-2029, the impact in the initial years is a net cost because the cost of providing immunosuppressive drug coverage is greater than the savings generated by avoided graft failures. Toward the later part of the 10-year period, the savings accumulate as additional graft failures are averted.

<b>Estimated Impacts</b> (in millions)												
Fiscal year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-24	2020-29
Part A	-\$10	-\$25	-\$45	-\$65	-\$85	-\$110	-\$125	-\$145	-\$155	-\$165	-\$230	-\$930
Part B	110	150	135	115	85	45	10	-15	-30	-35	595	570
Part D	15	20	25	25	25	25	25	25	25	30	110	240
Total gross benefits	115	145	115	75	25	-40	-90	-135	-160	-170	475	-120
Part B premium offset	-25	-35	-35	-30	-20	-10	—	5	5	10	-145	-135
Part D premium offset	—	-5	-5	-5	-5	-5	-5	-5	-5	-5	-20	-45
Net impact	90	105	75	40	—	-55	-95	-135	-160	-165	310	-300